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14 October 1961

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CENTRAL

INTELLIGENCE

BULLETIN



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State Dept. review completed

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25X1 25X1	Communist China: Chinese Chief of Staff Lo Jui-ching has reaffirmed China's determination to become a nuclear power. Speaking in late September	25X1
	Lo repeated several times that China "will not be cheated" by a test ban aimed at preventing the emergence of new nuclear powers. He admitted that Pei-	1/8
25X1	ping does not have nuclear weapons at present but declared that China, like France, will conduct tests "as necessary,"	
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since an army without nuclear weapons cannot be considered modern.

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China's determination to become a nuclear power has met with Soviet reluctance to help China achieve this status, and the issue has been a point of friction between Peiping and Moscow. In contrast to the Soviet line that the spread of nuclear weapons will increase the danger of war, Communist China's foreign minister maintained in a recent press interview that the danger of war would lessen as more countries obtained nuclear weapons. (Backup, Page 1)

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Syria: The former governor of Syria's central bank, Izzat Tarabulsi, who is chairman of a special government committee considering Syrian economic affairs, has approached a West German commercial attaché for a \$25,000,000 two-year loan to cover short-term Syrian obligations. Tarabulsi said the loan was urgently needed to permit convertibility of Syrian currency and thus to encourage confidence in the economy; the new regime has announced its hope of attracting foreign private investment capital. President of the Executive Council Kuzbari last week asked for quick supply of PL-480 grain from the United States. The Syrian Government will probably also seek longer range loans to compensate for the loss of eco-

nomic development funds Egypt was to have supplied.

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Mali-USSR: According to the French military attaché in Bamako, 15 Soviet military personnel now are stationed in Mali. Most of the members of this military mission apparently are operating at Malian Army headquarters in Bamako, although some are said to be supervising construction of an "antitank range" outside Bamako at one of four military installations recently evacuated by France. The attaché also reported that the intelligence chief of the Malian Army is scheduled to leave shortly for a three-year training tour at the USSR military academy. Mali has in recent months continued to receive from

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, `	including trucks	nea small arms and other milit, jeeps, armored personnel ca craft guns, and 120-mm. morta	arriers, anti-	25X1 25X1
25X1	obtained in strice Heath's 10 Octobe (EEC) in which is EEC. In addition ''full, wholehear munity,'' Heath is	ommon Market: Ambassador Extra confidence the full text of Lover secret presentation to the Cone set forth Britain's terms for to declaring Britain's desired, and active member of the said the UK would accept the "	ord Privy Seal Common Market r joining the to become a e European com- structure" of	
	in a single opera present member however, Britai	on external tariff and, upon er ation the same tariff adjustmer s will have made by that date. n's insistence on special arran	nts which the He reiterated, agements to pro-	No
25X1	tect Britain's agriculture and the commercial interests of the other Commonwealth and Outer-Seven countries. Butterworth considers the statement a skillfully drafted attempt to lay at rest persisting doubts in the EEC regarding London's intentions. The initial reaction from the EEC was highly favorable. However, the French were quick to point out that the problems "remain posed, but not solved." (Backup, Page 2)			
	Brazil: A propaganda campaign to prepare for ex-President Quadros' return to an active role in Brazilian politics continues to gather momentum. This campaign was initiated at least in part by Quadros' personal secretary. The American Embassy in Rio de Janeiro notes that the hostility generated by Quadros' sudden resignation is tending to disappear and that pro-Quadros sentiments now are being expressed openly though			
25X1	not widely. Quaing for election to the	adros may try to begin his com as governor in his home state he Brazilian Chamber of Deput aled for October 1962.	neback by campaig of Sao Paulo or	n- 25X1
25X1	14 Oct 61	DAILY BRIEF	iii	

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wide state of siccern that various dissidents from former dictator tum and coordinin Bogota commas well as the inhas caused grow the electoral pr	President Lleras' speech explained decreed on 11 October clearly as elements, including the Comma Lleras' own Liberal Party, and Rojas Pinilla, might develop sunation to threaten the regime. The nents that recent agitation against a crease in rural violence over the ving apprehension among some Cocess may not provide a solution	y reflects con- unists, leftist supporters of fficient momen- he US Embassy the regime, e past year, olombians that
the electoral pr try's problems.		to the coun-
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25X1	WAT	TCH COMMITTEE CONCLUSIONS		
	bearing on South follows: South Vietna pand their areas	v's Central Intelligence Bulletin, the Vietnam was omitted. The conclumnam: Communist forces continue effort of control in South Vietnam. Furtan increasing scale can be expected	sion is as orts to ex- her Viet	NO
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Peiping Reaffirms Determination to Become a Nuclear Power

Lo's remarks amplify a number of positions implicitly stated in Chinese Communist propaganda. To the standard Chinese line that Peiping would not be bound by any agreement to which it was not a participant, Lo added that the Chinese would feel bound only if all nuclear powers agreed to end testing and guaranteed destruction of existing stockpiles. This type of agreement seemed improbable to Lo, since it would be difficult to guarantee the destruction of existing weapons.

Since 1950 the Chinese have made steady progress in building the foundation of an atomic energy program, and there is evidence that they are engaged in developing a native nuclear weapons capability. It is estimated that the earliest date the Chinese could detonate a nuclear device is sometime in 1963 or 1964, and that at least two years would probably be required after the explosion of such a device for China to produce a small number of elementary weapons.

These dates could be materially advanced if the Soviets furnished aid in fissionable materials, designs, and fabrication. Even prior to 1960 the Soviets seemed to be holding their aid to a deliberate pace in order to postpone the attainment of a Chinese nuclear capability as long as possible. The withdrawal of most Soviet technicians in mid-1960 further impeded Chinese progress in nuclear development.

Continuing Sino-Soviet differences over the expansion of the circle of nuclear powers were implied by the Soviet memorandum of 1 October to the United Nations on measures to ease international tensions. One of the Soviet proposals is for agreement "against a further spread of nuclear weapons." Under the Soviet scheme, nuclear powers would pledge not to make nuclear weapons available to other countries, and non-nuclear powers "would undertake not to manufacture these weapons or buy them from nuclear powers." Although West Germany is cited as the main danger, the over-all effect of the Soviet proposal would be to keep China from becoming a nuclear power.

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UK-EEC Talks

In its effort to present Britain's case in the best possible light, the Macmillan government appears to have gone considerably further than before in accepting both the specific terms and the spirit of the EEC treaty, which may require painful adjustments by Britain. Heath's offer to match the EEC's tariff cuts, for example, would require sizable revisions by Britain, since by the end of this year the EEC countries will have reduced their tariffs as they pertain to each other by 40 to 50 percent.)

While Heath's approach now seems likely to get the formal negotiations on Britain's application off to a good start in Brussels on 8 November, agreement will probably not be easy. For example, Heath suggested that the EEC and UK jointly examine past EEC decisions regarding such noncommercial matters as social security, anticartel measures, and liberalization of capital movements so as to decide 'how far' they should apply to Britain; this contrasts with the standard EEC assertion that any applicant must accept all decisions already taken pursuant to the treaty. Moreover, concerning the problem of blending Britain's farm income support system with the Continental system of farm price supports, Heath asked for a 12-15 year transitional period and seemed to imply that the EEC's common agricultural policy--which the present members have decided at least in principle--is still open to revision.

The major negotiating difficulties are likely to center on the problems of the other Outer Seven and of the Commonwealth countries. Heath said he would like to see certain of the lessdeveloped Commonwealth countries and dependent overseas territories directly associated with the Common Market. However, some of these areas have recently seemed hostile to the EEC. Furthermore, the EEC is now in the process of revising its African-association policies, and extension of the area of

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	association may mean major difficulties for less-developed countries elsewheree.g., in Latin America.	
25X1	London apparently believes that the problems of the other Commonwealth countries will be eased if EEC tariffs are kept low, but Heath emphasized the need for transitional measures, and in particular for continued access to the UK market by the agricultural producers of Canada, New Zealand, and Australia. This will conflict not only with French hopes for expanded outlets for its own farm surpluses but also with the interests of all other exporters of farm produce.	25X1
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Former Brazilian President May Seek Political Comeback

Quadros' choice between running for the governorship of Sao Paulo or a seat in the Chamber of Deputies will be influenced by whether the constitutional amendment of 2 September, providing for a parliamentary system for the central government, remains in effect. If the prime minister has greater power than the president, Quadros is likely to seek election as deputy--the best position from which to make a bid for the prime ministry. All seats in the Chamber of Deputies as well as two thirds of the Senate seats are at stake in next October's elections.

Should repeal of the constitutional amendment seem likely, however, Quadros would probably seek the governorship of Sao Paulo, the most powerful Brazilian state. The amendment also impairs the attractiveness of governorships, since it provides for extension of the parliamentary system to the states after the incumbent governors' terms expire.

Failure of the Goulart-Neves government to take decisive action in the economic and social fields would enhance Quadros' chances for a political comeback. A law signed by President Goulart on 6 October providing for a 40-percent increase in the minimum wage is likely to increase inflation -- one of Brazil's principal problems in recent years.

strengthened by the inclusion in the cabinet of Alfredo Nasse	
the Social Progressive party. Nasser's appointment was app	roved
by the Chamber of Deputies by a vote of 166 to 2 on 12 Octob	er.
The Social Progressive party, based largely in Sao Paulo, v	vas
not previously included in the government and had been cons	id-
ered one of the most important potential opposition groups.	

The political strength of the government has recently been

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The United States Information Agency

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